

Message Text

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INFO USLO PEKING

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, CH

SUBJECT: SPRING 1974 CANTON FAIR -- A SLOW START

SUMMARY. AS WAS THE CASE LAST FALL, THE 1975 SPRING CANTON FAIR IS OFF TO A VERY SLUGGISH START REFLECTING DEPRESSED ECONOMIC CONDITIONS ABROAD AND LACK OF NEAR TERM BUSINESS CONFIDENCE ON THE PART OF MANY PRC CUSTOMERS. DESPITE GENERALLY LOWER PRICES AND GOOD EXPORT AVAILABILITIES, BUSINESS HAS NOT BEEN BRISK. ATTENDANCE BY EUROPEANS AND PERHAPS ALSO JAPANESE IS DOWN, THOUGH AMERICANS AFTER A SLOW START, ARE NOW PRESENT IN SIMILAR NUMBERS TO THE SAME PERIOD OF THE TWO 1974 FAIRS.

USLO CHIEF BUSH, DURING VISIT TO THE FAIR, WAS TOLD BY FAIR DEPUTY DIRECTOR WANG YUN-SHENG THAT PRC WILL CONTINUE ITS EFFORTS TO EXPAND SINO-US TRADE. WANG SAID CHIAN WILL DO MORE TO MEET US IMPORTER'S NEEDS. THERE IS SOME EVIDENCE OF THIS AT THIS FAIR; THE CHINESE APPEAR WILLING TO TAKE AN IMPORTANT STEP FORWARD IN REGARD TO PRIVATE LABELS ON THEIR PRODUCTS, AND THEY HAVE AGREED TO DENOMINATE SOME EXPORT CONTRACTS IN US DOLLARS INSTEAD OF RMB IN ORDER TO PROTECT US BUYERS HURT BY EXCHANGE FLUCTUATIONS. WANG ALSO TOLD MR. BUSH THAT CHINA WILL

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CONTINUE TO BUY US TECHNOLOGY AND EQUIPMENT.

ONCE AGAIN THERE ARE A NUMBER OF MAJOR US FIRMS AT THE FAIR WHICH HOPE TO LAY THE GROUNDWORK FOR SALES TO CHINA. THESE INCLUDE ITT, RCA, KAISER, PIPER AIRCRAFT, SINGER, KODAK AND COCA-COLA. END SUMMARY.

1. FOLLOWING IS REPORT RECEIVED FROM USLO OFFICERS AT THE 37TH CANTON FAIR WHICH OPENED APRIL 15.

2. AFTER EIGHT DAYS IN CANTON, OUR IMPRESSION IS THAT THIS IS THE QUIETEST CANTON FAIR IN RECENT YEARS. FOR MOST OF THE FIRST WEEK THE FAIR PREMISES WERE NOTABLY EMPTY, AND NOT UNTIL DAYS SEVEN AND EIGHT DID THE FAIR BEGIN TO COME TO LIFE. AN OPENING DAY DRIZZLE WHICH MUTED THE TRADITIONAL FIREWORKS AND SPOILED OUTSIDE DECORATIONS SYMBOLIZED THE DEPRESSED NOTE ON WHICH THE FAIR BEGAN. ATTENDANCE SO FAR HAS BEEN DOWN, AND DESPITE LOWERED CHINESE PRICES AND GOOD EXPORT AVAILABILITIES BUSINESS HAS NOT BEEN BRISK.

3. EVEN NCNA WAS FORCED TO ADMIT TO A DECLINE IN ATTENDANCE TO LESS THAN 6,000 PERSONS ("INCLUDING GUESTS AND HOSTS") AT THE OPENING BANQUET, CONFIRMING OUR IMPRESSION THAT ATTENDANCE THUS FAR BY SERIOUS BUSINESSMEN IS SIGNIFICANTLY DOWN. EUROPEANS ARE NOTICEABLY LESS NUMEROUS THAN IN RECENT YEARS, AND THERE ARE APPARENTLY FEWER JAPANESE. INITIAL US ATTENDANCE WAS ALSO SIGNIFICANTLY LOWER, BUT BY APRIL 23 NEW ARRIVALS BROUGHT TOTAL FIRMS REPRESENTED TO ABOUT 90, AND THE NUMBER OF AMERICAN CITIZENS TO MORE THAN 100. THIS IS APPROXIMATELY THE SAME AS WERE HERE IN THE SAME PERIOD OF THE TWO 1974 FAIRS. THIRD WORLD AND OVERSEAS CHINESE ARE PRESENT IN EQUAL OR SLIGHTLY GREATER NUMBERS AS LAST FALL. IT IS EVIDENT, HOWEVER, THAT MANY OF THE LATTER ARE MOSTLY ENGAGED IN SIGHTSEEING AND VISITING RELATIVES.

4. THE POOR ATTENDANCE REFLECTS DEPRESSED WORLD MARKETS AND LACK OF NEAR-TERM BUSINESS CONFIDENCE ON THE PART OF MANY PRC CUSTOMERS. AMERICAN AND OTHER WESTERN BUYERS ARE POINTING TO LARGE INVENTORIES AT HOME WHICH HAVE YET TO BE WORKED DOWN AND EXPRESSING RELUCTANCE TO BUY MORE NOW NO LIMITED OFFICIAL USE

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MATTER HOW LOW THE PRICES. ACCORDING TO A JAPANESE EMBASSY OFFICER, MANY JAPANESE IMPORTERS HAVE BEEN UNABLE TO OPEN L/C'S FOR PAST PURCHASES FROM CHINA (PARTICULARLY IN TEXTILES AND FOODSTUFFS) AND CANNOT ASSUME NEW COMMITMENTS AT THIS TIME. DESPITE THE LEVEL OF OVERSEAS CHINESE ATTENDANCE, CONDITIONS IN HONG KONG AND SOUTHEAST ASIA ARE NOT THOUGHT TO BE APPRECIABLY BETTER.

5. AGAINST THIS BACKGROUND, TRADING THUS FAR HAS BEEN LIGHT AND ACTIVITY GENERALLY LOW. THOSE ON HAND HAVE FOUND IT EASY TO MAKE APPOINTMENTS, AND TRADE DELEGATION OFFICIALS WERE READILY AVAILABLE (OFTEN IN GROUPS UP TO 4 OR 5)) TO TALK WITH USLO OFFICERS DURING THE FIRST WEEK. THE OFFICIALS WERE SOMETIMES UNABLE TO CONCEAL ANXIETY AT THE SMALL NUMBER OF CUSTOMERS HERE AND, IN THE US CASE, COMPLAINED ABOUT THE IMBALANCE IN TRADE AND EFFECTS OF LACK OF MFN. A RANKING MEMBER OF THE TEXTILES DELEGATION CANDIDLY ACKNOWLEDGED THAT HIS CORPORATION DOES NOT ANTICIPATE A GOOD FAIR THIS SPRING DESPITE PRICES WHICH ARE OFTEN 40-50 PERCENT LOWER THAN ONE YEAR AGO. HE ADDED THAT FEW PRC ORDERS WERE BOOKED DURING THE RECENT CHINATEX MISSION TO THE US AND SAID FEWER US TEXTILE BUYERS ARE EXPECTED AT THIS FAIR.

6. BESIDES TEXTILES, THE CHINESE MAY ALSO HAVE TROUBLE IN MINERALS AND METALS, WHERE WORLD MARKETS ARE DEPRESSED AND A PRC DELEGATION TO LONDON RECENTLY FAILED TO GENERATE SIGNIFICANT SALES. IT IS LESS CLEAR HOW BUSINESS WILL BE IN LIGHT INDUSTRY, NATIVE PRODUCE, AND FOODSTUFFS BUT ACTIVITY IN THESE AREAS TO-DATE HAS BEEN LIGHT, DESPITE REASONABLE PRICES AND GOOD AVAILABILITIES. BUSINESS IN CHEMICALS HAS BEEN SLIGHTLY MORE BRISK WITH QUOTATIONS BEING PASSED BACK AND FORTH AND A REASONABLY SIZEABLE GROUP OF FOREIGN FIRMS ON HAND. ACCORDING TO ONE CHEMICALS TRADER, MANY PRC PRICES HAVE BEEN SUBSTANTIALLY REDUCED, AND PERHAPS SOME GOOD BUSINESS WILL BE DONE. IN MACHINERY, LITTLE ACTIVITY HAS BEEN OBSERVED.

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7. THE AMERICAN CONTINGENT SO FAR HAS THE SAME GENERAL COMPOSITION AS AT PREVIOUS FAIRS: 57 PERCENT IMPORTERS, 8 PERCENT EXPORTERS, AND 35 PERCENT FIRMS WHICH BOTH BUY AND SELL. CHEMICAL AND PHARMACEUTICAL FIRMS (11) ARE AGAIN MOST NUMEROUS; THOSE INCLUDE DOW, UNION CARBIDE, SQUIBB, CALTEX AND EXXON. AMONG THESE FIRMS IN CANTON WHICH ARE HOPING TO LAY THE GROUND-WORK FOR FUTURE SALES ARE ITT, RCA, KAISER, PIPER AIRCRAFT, SINGER, BLACK AND CLAWSON, AND COCA-COLA. CLOSE TO HALF OF US FIRMS PRESENT SO FAR ARE NEWCOMERS. MOST TALKED ABOUT OF THESE IS RINGLING BROTHERS CIRCUS WHICH AMONG OTHER THINGS SOUGHT UNSUCCESSFULLY TO BUY A PANDA.

8. DURING HIS BRIEF VISIT TO CANTON, USLO CHIEF BUSH HOSTED A RECEPTION APRIL 21 WHICH WAS ATTENDED BY 20 FAIR OFFICIALS AND OVER 100 AMERICANS OR REPRESENTATIVES OF US FIRMS. ON APRIL 22 MR. BUSH CALLED ON FAIR DEPUTY DIRECTOR WANG YUN-SHENG (376/3387/3932), A FORMERTOP MEMBER OF CHINA'S UN DELEGATION, WHO WAS KNOWLEDGEABLE ON SINO-US TRADE AND SPOKE WITH CONFIDENCE ON BILATERAL ISSUES. IN CORDIAL AND RELAXED CONVERSATION WANG SAID THE PRC WOULD CONTINUE TO MAKE EFFORTS TO EXPAND SINO-US TRADE SUCH AS BY DOING MORE TO MEET US IMPORTER'S NEEDS AND USG REGULATIONS (E.G., FDA), AND BY TRYING TO INCREASE SUPPLIES. MORE-
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OVER, HE SAID, CHINA WILL CONTINUE TO BUY US TECHNOLOGY AND EQUIPMENT. AS TRADE CONTINUES TO DEVELOP, HE ADDED, CHINA WILL EXPECT THE US TO DO ITS PART BY REMOVING SOME OBSTACLES, SUCH AS LACK OF MFN, ALONG THE WAY.

9. THAT WANG WAS SERIOUS ABOUT GREATER EFFORTS TO SATISFY US IMPORTERS SEEM TO BE BORNE OUT BY THE EXPERIENCES OF SEVERAL FIRMS. TWO OF THEM, MOST NOTABLY SEARS, REPORT THE CHINESE ARE NOW WILLING TO PUT PRIVATE LABELS ON THEIR PRODUCTS WITH THE APPROPRIATE "MADE IN CHINA" TAG, BUT WITHOUT THE ADDITION OF A CHINESE BRAND NAME WHICH THEY PREVIOUSLY INSISTED UPON. IF ACTUALLY DONE, THIS WOULD BE AN IMPORTANT CHANGE IN PRC EXPORT POLICY. ALSO SOME IMPORTERS WHO WERE BADLY HURT BY THE DEPRECIATION OF THE DOLLAR VIS-A-VIS THE RMB SINCE THE FALL CANTON FAIR HAVE FOUND THE CHINESE WILLING, ALBEIT RELUCTANTLY, TO DENOMINATE EXPORT CONTRACTS IN US DOLLARS INSTEAD OF RMB.

10. ONE CHANGE AT THE FAIR IS THE ELIMINATION OF THE

ANTIQUES SECTION. AT LEAST ONE FOREIGN BUYER RECEIVED WRITTEN NOTIFICATION BEFORE THE FAIR THAT ANTIQUE BUSINESS WOULD BE HANDLED IN PEKING AND NOT CANTON. ANOTHER CHANGE OF INTEREST: TWO PRETTY SHANGHAI GIRLS IN TEXTILES MODELLING THE DRESSES, RECENTLY DISPLAYED IN A PEKING DEPARTMENT STORE, WHICH HAVE BEEN DESIGNED FOR DOMESTIC CONSUMPTION AND WHICH THEY SAID ARE NOW IN PRODUCTION.

11. IN POLITICAL ATMOSPHERE, CANTON IS RELAXED. THE CITY WAS SCRUBBED CLEAN OF LAST YEAR'S POSTERS BEFORE THE FAIR AND WITH ONE OR TWO EXCEPTIONS NO POSTERS HAVE BEEN PUT UP SINCE. THOSE WE HAVE SEEN WERE REMOVED ALMOST IMMEDIATELY, SUGGESTING THAT CITY AUTHORITIES NOW HAVE FAR BETTER CONTROL OVER THAT ACTIVITY THAN WAS THE CASE SIX MONTHS AGO. THE FAIR ITSELF IS DEVOID OF POLITICS EXCEPT FOR THE USUAL MAO-QUOTES ON DISPLAY, SOME OF WHICH HAVE BEEN UPDATED TO REFLECT THE CURRENT DICTATORSHIP OF THE PROLETARIAT CAMPAIGN.
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